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SURVEY OF PROBLEMS TO BE CONSIDERED BY
SOUTH PLAINS COOPERATIVE FUEL ASSOCIATION
LUBBOCK, TEXAS

by

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Agricultural Economist

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SURVEY OF PROBLEMS TO BE CONSIDERED

BY

SOUTH PLAINS COOPERATIVE FUEL ASSOCIATION

LUBBOCK, TEXAS

By

John Lister
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This report covers a survey which was made to ascertain the need for a cooperative oil purchasing association in the northwest Texas specialized cotton-producing area. The survey was made at the request of farmers located in that part of the State.

AREA TO BE SERVED

The area to be served by the proposed association is the South Plains area. It comprises about eleven counties which lie directly south of the Texas Panhandle. The City of Lubbock, with a population of about 20,500 in 1930, is the principal trading center (Fig. 1).

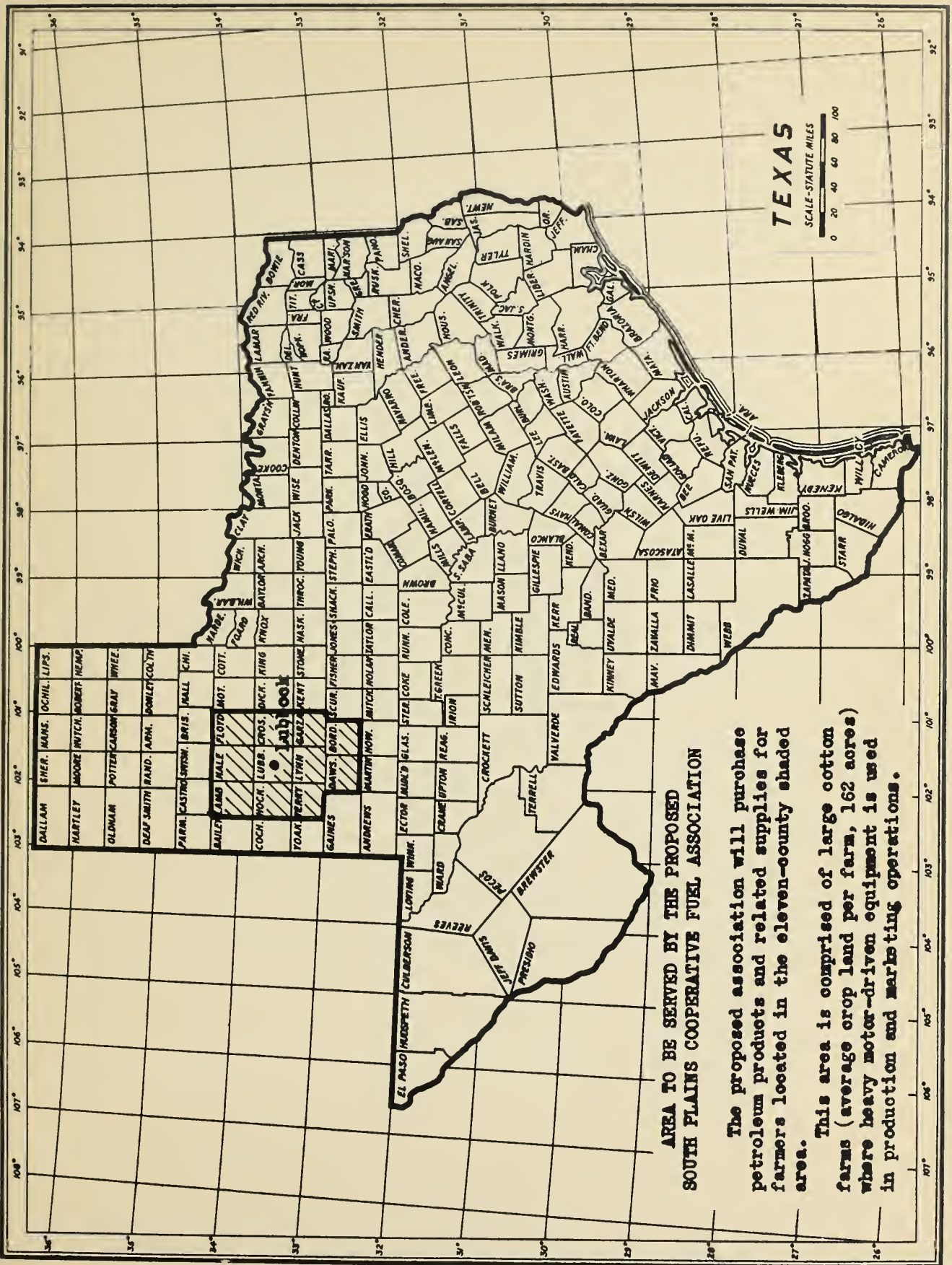
Farming is the main industry in the South Plains area. According to the census, the total population of the eleven counties was 151,394 in 1930. Of this number, 108,781, or 72 per cent, were classified as rural.

The total land area of the eleven counties is approximately 6,448,640 acres. Of this total, 5,352,719 acres were in farms. About 2,958,056 acres, or 55 per cent of the land in farms, were used for the production of crops. Since the census was taken in 1930, however, more of the land which was formerly used for grazing has been placed under cultivation.

There were 18,261 farms in the eleven-county area in 1930. On the average, each of these farms had 162 acres of crop land. The following table shows land area, farm land and crop land for each of the counties in 1929.

Note.--The writer is indebted to Messrs. N. H. Payne and H. L. Gantz, of the Northwest Texas Cotton Growers Association, Lubbock, Texas, for their assistance and cooperation in making this survey.

Figure 1.



Land Area, Farm Land and Crop Land
in Designated Counties in Texas /1

Counties	Total Land Area (Acres)	All Land in Farms (Acres)	Crop Land in Farms (Acres)	No. of Farms	Average Crop Land Per Farm (Acres)
Lamb	654,080	555,706	344,867	2,381	145
Hale	663,040	595,056	442,981	1,729	256
Floyd	647,040	539,983	358,715	1,671	215
Hockley	554,880	346,336	194,612	1,344	145
Lubbock	555,520	507,881	370,512	2,495	149
Crosby	556,800	467,296	267,535	1,739	154
Terry	556,800	459,192	225,829	1,458	155
Lynn	552,960	473,912	302,287	2,138	141
Garza	556,800	420,636	97,298	796	122
Dawson	577,920	528,707	313,617	2,218	141
Borden	572,800	458,014	39,803	292	136
TOTAL	6,448,640	5,352,719	2,958,056	18,261	162 <u>/2</u>

/1 1930 Census.

/2 Weighted average.

Principal Crops Produced

About 1,230,018 acres, or 42 per cent of the total crop land in the eleven-county area, were planted to cotton in 1929. According to estimates by officials and employees of the Northwest Texas Cotton Growers Association, since 1929 much more land has been developed and made available for the production of cotton. Wheat is of secondary importance in the South Plains area. According to the census, 505,315 acres, mostly in the northernmost counties, were used for wheat production. The following table shows a comparison of the acreages and importance of cotton and wheat in each of the eleven counties in 1929.

Cotton Acreage and Wheat Acreage in
Eleven Northwest Texas Counties /3

Counties	Acreage of Cotton	Percent of Crop Land in Cotton	Acreage of Wheat Threshed	Percent of Crop Land in Wheat
Lamb	100,727	29	37,903	11
Hale	64,382	15	214,706	48
Floyd	71,180	20	200,902	56
Hockley	95,145	49	3,950	20
Lubbock	205,276	55	13,749	4
Crosby	134,078	50	33,722	13
Terry	101,487	45	75	--
Lynn	204,005	67	300	--
Garza	51,141	53	8	--
Dawson	162,527	58	--	--
Borden	19,570	49	--	--
Total	1,230,018	42 <u>/4</u>	505,315	17 <u>/4</u>

/3 1930 Census.

/4 Weighted.

Figure 2 shows cotton acreage in the South Plains area in 1929. It will be observed that Lubbock, Lynn and Dawson Counties were the most important from the standpoint of acreage.

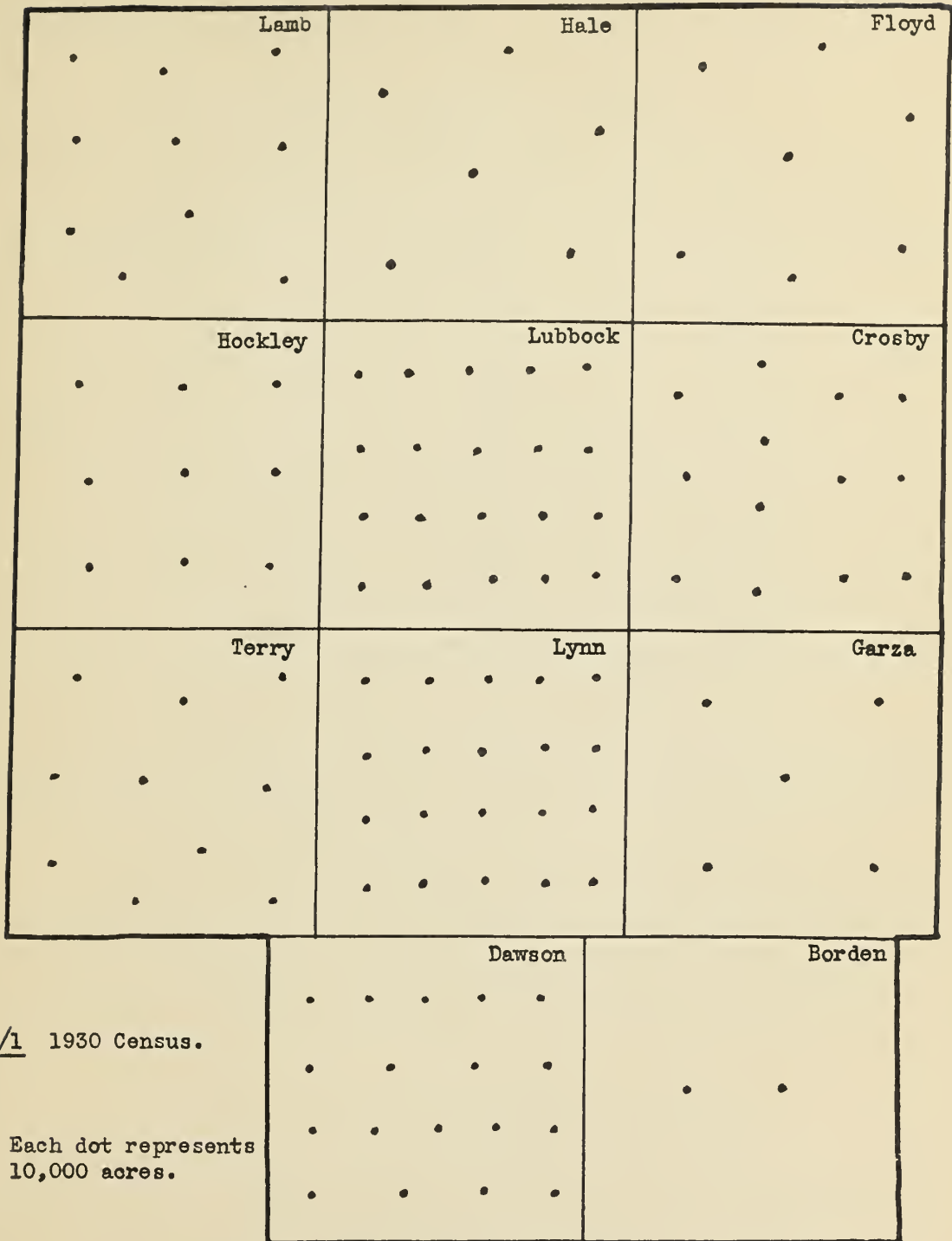
NEED FOR ASSOCIATION

For several years, large-scale cotton growers in northwest Texas, who are heavy users of petroleum products, have felt the need for a farm supply purchasing association through which they could secure their gasoline, kerosene, lubricating oil and related supplies at the lowest possible cost. Because of the recent rapid development of cotton farming in this particular area, most of the farm interest has been in the improvement and development of the production phase of the business. The idea of purchasing farm supplies cooperatively has been delayed until the production program has settled down to a permanent basis. At present, the "cotton boom" has about run its course and farmers are looking for economical ways and means to purchase their supplies.

The topography of the land in this area is very level. Both the land and the climate are well suited to the production of cotton. Heavy, labor-saving machinery is used extensively in plowing and cultivating, and trucks are used by many farmers to transport picked cotton from farms to gins. Besides, some of the ginned cotton is transported to Gulf shipping points by trucks.

Figure 2.

Cotton Acreage in
11 Northwest Texas Counties, 1929. /1



Approximately 1,230,000 acres of cotton were planted in this 11-county area in 1929.

Large quantities of motor fuel are required to operate the heavy equipment used for production and marketing purposes.

The following table shows the number of tractors, trucks and automobiles on farms in the South Plains counties in 1930.

Tractors, Trucks and Automobiles
on Farms in Designated Counties
in Texas /5

Counties	No. of Tractors	No. Tractors per 100 Farms	No. of Trucks	No. Trucks per 100 Farms	No. of Auto- mobiles	No. Auto- mobiles per 100 Farms
Lamb	511	21	462	19	1,855	78
Hale	827	48	423	24	1,546	89
Floyd	623	37	327	20	1,468	88
Hockley	194	14	198	15	885	66
Lubbock	287	12	192	8	2,135	86
Crosby	273	16	173	10	1,256	72
Terry	90	6	149	10	932	64
Lynn	273	12	169	8	1,452	68
Garza	64	8	84	11	563	70
Dawson	172	8	138	6	1,477	67
Borden	28	10	31	11	206	71
Total	3,342	18 <u>/6</u>	2,346	13 <u>/6</u>	13,775	75 <u>/6</u>

/5 1930 Census.

/6 Weighted.

It will be noted in the above table that, for the area as a whole, 75 per cent of the farmers had automobiles, 18 per cent had tractors, and 13 per cent operated trucks in 1929.

In such areas where heavy machinery and trucks are in use, the cost of operating such equipment comprises a large part of the farmers' annual production and marketing costs. It is only natural, therefore, that the South Plains cotton farmers are desirous of securing their motor fuels as cheaply as possible. They feel that through group purchasing they should be able to buy those supplies in wholesale lots and thus effect a considerable saving.

Experience of South Plains Farmers in
Cooperative Endeavors

Farmers in the area covered by this report have had considerable experience in cooperative marketing, especially cotton marketing, but not much in cooperative buying. The Texas Cotton Association has marketed cotton for its 3,000 members in the eleven-county area for a number of years, and a large proportion of the cotton produced in those counties is cooperatively ginned.

The following table shows the value of farm products sold co-operatively and the value of farm supplies purchased in each of the counties in 1929. /7

Counties	Cooperative Sales of Farm Products		Cooperative Purchases of Farm Products	
	Farms Reporting	Value (Dollars)	Farms Reporting	Value (Dollars)
Lamb	112	114,111	5	420
Hale	235	214,148	233	71,712
Floyd	65	68,747	101	26,534
Hockley	111	122,757	7	768
Lubbock	225	221,200	29	1,837
Crosby	91	81,892	1	45
Terry	82	105,974	5	313
Lynn	62	59,416	8	462
Garza	20	6,499	2	750
Dawson	113	118,971	42	2,082
Borden	--	--	--	--
Total	1,116	1,143,715	433	104,923

It will be observed in the above table that Hale and Floyd Counties were the only ones reporting appreciable quantities of co-operatively purchased supplies. The Consumers Fuel Association of Hale County, a local cooperative oil purchasing organization whose primary business is that of distributing petroleum products and related supplies to grain farmers and other consumers in the central and northern parts of Hale and Floyd Counties, has rendered a very satisfactory purchasing service in those two counties for a number of years. The operations of this association account for the comparatively large volume of supplies purchased cooperatively in the two counties. It is expected that the areas of operation of the Consumers Fuel Association of Hale County and the operating units of the proposed South Plains Cooperative Fuel Association will not overlap.

The success of the Consumers Fuel Association of Hale County is an indication of what may be expected of the proposed South Plains Cooperative Fuel Association which, although its prospective area of operation contains a smaller number of tractors and trucks per 100 farms, has ample opportunity for success and for rendering a service to cotton farmers similar to that rendered to grain farmers by the Hale County organization.

/7 1930 Census.

PROSPECTIVE MEMBERS

Within the eleven-county area there are about 3,000 members of the Texas Cotton Association who are cooperative-minded and who will support a cooperative oil purchasing program. In addition, there are approximately 2,500 farmers who are not members of the cotton association but who, through proper contact and understanding, could eventually be brought into a cooperative fuel purchasing enterprise.

There are, in the eleven counties, seventeen cooperative gins which are owned by the Texas Cotton Growers Gin Company (a subsidiary of the Texas Cotton Association). See Figure 3 for location of sixteen of these gins. At each of the seventeen gin points there is ample space for an oil station, and the Texas Cotton Growers Gin Company is favorable to having cooperative oil service stations located on the gin lots. Land at each of the locations could be leased from the Gin Company at reasonable annual rentals.

Besides the seventeen gins which are owned by the above-mentioned Texas Cotton Growers Gin Company, there are twenty-three other cooperative gins in the eleven-county area. These twenty-three gins have a membership of approximately 3,000 farmers who are also interested in the proposed cooperative oil purchasing program.

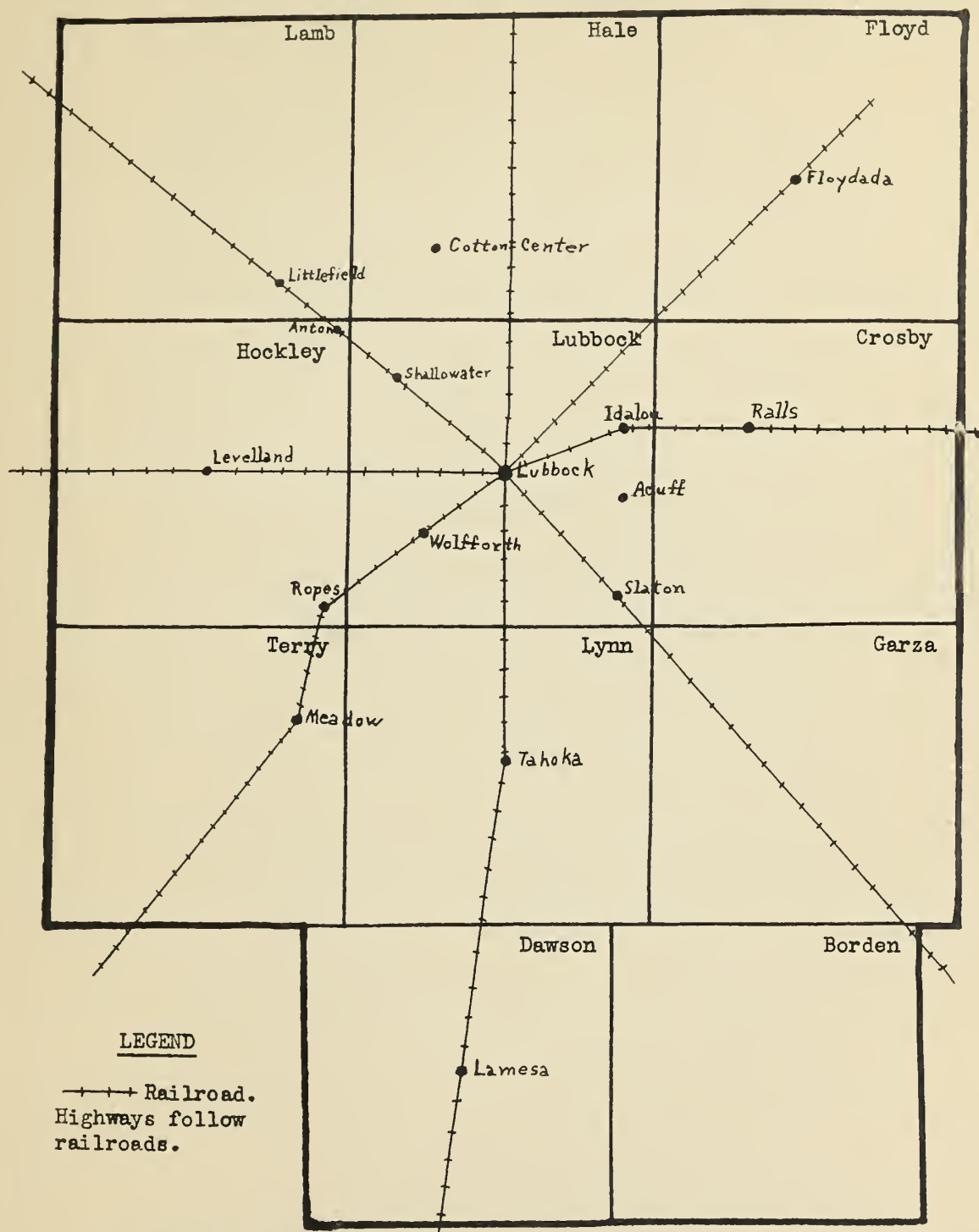
According to the 1930 census, there were 14,796 farms in this eleven-county area which reported cotton production in 1929. See Figure 4 for location and density of these farms. It is felt by farmers in the area that a total of at least 8,500 of these farmers could be considered as prospective members of the proposed oil association. It is also felt that a large number of the others, such as grain farmers in the extreme northern part of the area, would be interested in purchasing their motor fuels and related supplies cooperatively.

ESTIMATED CONSUMPTION OF PETROLEUM PRODUCTS AND RELATED SUPPLIES

It was estimated by distributors of petroleum products in northwest Texas that the average tractor operator uses about 900 gallons of kerosene and 30 gallons of lubricating oil per year. The average farmer uses about 300 gallons of gasoline and 9 gallons of oil for transportation purposes (automobiles and trucks) each year. The following table shows the estimated average quantities of the different petroleum products and tires used annually by individual farmers in northwest Texas.

Figure 3.

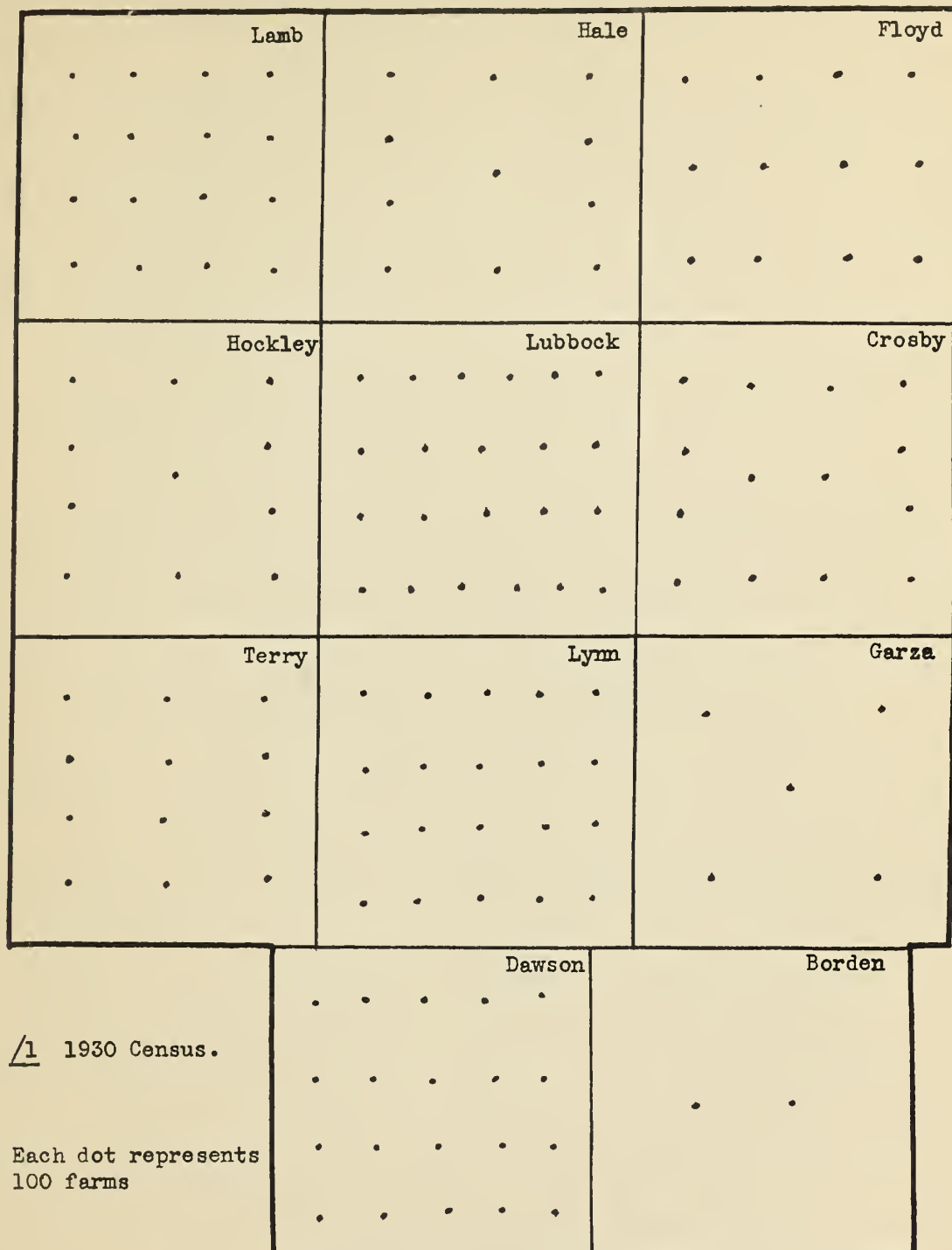
DETAIL OF THE AREA TO BE SERVED BY
SOUTH PLAINS COOPERATIVE FUEL ASSOCIATION



This map shows the location of sixteen cooperative cotton gins in the area to be served by the proposed South Plains Cooperative Fuel Association. It is planned to have cooperative service stations at each of these points, for distributing petroleum products and related supplies at retail and in bulk.

Figure 4.

Number of Farms in 11 Northwest Texas Counties
Which Reported Cotton Acreage in 1929. /1



There were approximately 14,796 farms on which cotton was produced in 1929. According to estimates, tractors are in use on approximately 10% of these farms.

Estimated Average Quantities of Petroleum Products
and Related Supplies Consumed by Farmers
in the South Plains Area

<u>Kind of Supply</u>	<u>Average Quantity Used Per Consumer Per Year /8</u>
Gasoline (transportation)	300 gallons
Kerosene (tractors)	900 gallons
Kerosene (home use)	260 gallons
Lubricating oil (transportation)	9 gallons
Lubricating oil (tractors)	30 gallons
Greases (all purposes)	5 pounds
Tires and Tubes	4 each

/8 These averages were obtained from petroleum distributors by Messrs. N. H. Payne and H. L. Gantz of the Northwest Texas Cotton Growers Association, Lubbock, Texas.

If only the 3,000 members of the Texas Cotton Association who are located around the seventeen gin points are used as the basis for calculating the volume of business available to the new oil association, the following estimates of annual consumption are obtained.

Estimated Quantities of Petroleum Products and Tires
Used by 3,000 Members of Texas Cotton Association
in the Northwest Texas Area

<u>Kind of Supply</u>	<u>Estimated Average Quantity Used Per Consumer</u>	<u>Estimated Number of Farmer Consumers /9</u>	<u>Estimated Total Consumption /10</u>
Gasoline	300 gallons	3,000	900,000 gallons
Kerosene	900 gallons	300	270,000 gallons
Kerosene	260 gallons	3,000	780,000 gallons
Lubricating oils	9 gallons	3,000	27,000 gallons
Lubricating oils	30 gallons	300	9,000 gallons
Greases	5 pounds	3,000	15,000 pounds
Tires and Tubes	4 each	3,000	12,000 each

/9 About 10 per cent of the farmers operate tractors in addition to their automobiles and trucks.

/10 As calculated by Messrs. Payne and Gantz.

OPERATING REVENUE

The total net revenue which the association might expect for handling the above listed quantities, according to estimates, would be something in the neighborhood of \$70,950.00. This total was determined by applying the gross operating margins, which the association could receive for handling the different commodities, to the quantities which it might expect to handle, and then deducting one cent per gallon on gasoline and kerosene and 10 per cent of the value of other commodities to cover the cost of operation of the local service stations. The total net revenue, therefore, would be the amount which the association proper would receive for general administration and patronage dividend purposes.

The following table shows the estimated net revenue which the association expects to receive for handling the different supplies: /11

<u>Kind of Supply</u>	<u>Quantities</u>	<u>Net</u>	<u>Total</u>
		<u>Revenue</u> <u>Per Unit</u> <u>(Dollars)</u>	<u>Net</u> <u>Revenue</u> <u>(Dollars)</u>
Gasoline	900,000 gallons	.02	18,000
Kerosene	1,050,000 gallons	.02	21,000
Lubricating oils	36,000 gallons	.50	18,000
Greases	15,000 pounds	.05	750
Tires and Tubes	12,000 of each	.60	7,200
		Total	70,950

PLAN OF OPERATION

The association (if and when organized) proposes to purchase and distribute on a cooperative basis petroleum products and related supplies in bulk lots at bulk prices and in retail lots at retail prices, to its members and possibly others.

It is planned to establish local service stations at convenient points throughout the area where such supplies may be secured at prevailing local competitive prices. Such stations will be established as quickly and in such order as time and capital will permit. Bulk sales as well as retail sales will be made from these stations. However, in order to comply with the code requirements of the petroleum industry, different tanks will be provided for different types of sale. No trucks will be operated by the association. All patrons will be required to deliver their own supplies. Country delivery will be accomplished by the use of drums or other large containers which will be owned and used by the farmers to transport and store their supplies. Patrons will use their own trucks or auto trailers for hauling. It is felt that this method of delivery will be quite satisfactory in this area because of the saving in expense which it will permit.

/11 Data prepared by Messrs. N. H. Payne and H. L. Gantz of the Northwest Texas Cotton Growers Association, Lubbock, Texas.

METHOD OF PURCHASING

The association plans to purchase its gasoline and kerosene supplies from nearby refiners. Other supplies, such as oils, greases, and tires, will be purchased from wholesale distributing agencies. Gasoline and kerosene will be purchased and delivered direct to the association's local service stations. In all probability the association will require direct truck delivery to service stations by the refiner. Under this method of purchasing the association will not be required to own trucks. It is also planned to have bulk storage facilities at Lubbock where emergency supplies for all service stations and a regular bulk supply for the Lubbock territory will be stored. Emergency deliveries will be made with hired trucks.

Other supplies, such as oils, greases and tires, will be purchased in large quantities and distributed from a central warehouse, probably located at Lubbock.

SALES POLICY

The association plans to sell its supplies at prevailing local bulk and retail prices. Bulk sales will be made in quantities of 50 gallons and upwards. Such sales will be made for country delivery in drums or other large containers. Bulk prices will be charged where the supplies are sold in quantities of 50 gallons or more.

Smaller quantities of supplies will be sold to patrons at retail prices. Delivery in the case of retail sales will be made direct to the patron's automobile or truck. This service will be similar to that usually offered by any regular retail service station.

All sales will be made on a cash basis.

PATRONAGE DIVIDENDS

Any saving which the association may make in the handling of supplies for its members will be returned to them on a patronage basis after the necessary expenses of operation and suitable reserves have been deducted. Patronage dividends will not be distributed more often than every six months.

It has been estimated by members of the Northwest Texas Cotton Growers Association that the general administration expenses of the oil association will not be greater than approximately \$10,000 per year. Included in this total are the estimated costs of general management, record keeping, depreciation, insurance, taxes, and other items which may not be charged against any individual service station. After deducting this estimate for general administration expense from the estimated annual net revenue for the association (\$70,950.00) as shown on Page 8, a balance of \$60,950.00 would

remain. This estimated balance would be available for reserves and patronage dividends. According to present intentions, 1 per cent of the value of total sales will be set aside as a reserve for operating purposes or contingencies. It was estimated that patronage dividends amounting to about one cent per gallon on bulk sales of gasoline and kerosene and a larger amount on retail sales will be available to members of the association. Patronage dividends on other supplies will be paid according to the amount of savings made on those supplies.

TYPE OF ORGANIZATION DESIRED

The type of organization desired by farmers in this area is a cooperative stock association in which any person who is a producer of agricultural crops, or an owner or lessor of land on which agricultural crops are produced and who receives as rental a part of the crops produced on the land, may become a member. Any applicant for membership shall be required to purchase one or more shares of common stock.

The proposed capital structure of the South Plains Cooperative Fuel Association will be 7,500 shares of common stock with the par value of \$10 per share, and 7,500 shares of preferred stock with a par value of \$10 per share. The common stock will carry voting rights on the basis of one member one vote. Holders of this stock will be entitled to receive dividends at a rate decided upon by the board of directors, and which will not exceed 8 per cent per annum. The preferred stock will carry no voting privileges, but will have prior rights over the common stock in the event of dissolution of the association. Holders of preferred stock will be entitled to receive cumulative dividends at a rate (to be decided upon later) not exceeding 8 per cent per annum.

It is planned that the affairs of the association will be directed by a board of directors consisting of seven members chosen by the membership from their own number. This board will select a general manager who will employ such other help as is necessary to manage and operate the business.

Tentative Articles of Incorporation and By-Laws of the South Plains Cooperative Fuel Association are shown in Appendix I. Sample copies of common and preferred stock certificates are shown in Appendix II.

It is the present plan of those interested in the development of this fuel association that no service station will be established in any community until sufficient common and preferred stock has been sold (in the community) to cover the construction cost and cost of necessary facilities for such station. These facilities will consist of an inexpensive station building, a tank or tanks from which retail sales of gasoline and kerosene will be made, a tank or tanks from which bulk sales of gasoline and kerosene will be made, pumps and meters, and any other equipment which will be required in the retail

and bulk distribution of petroleum products. It has been estimated that the approximate cost of facilities for a local service station will be about \$1,000.

In addition to the capital required for the local service stations, sufficient stock must be sold to finance the construction of a bulk station which will probably be located at Lubbock. This station will consist of tanks of at least 15,000 gallons capacity each, for gasoline and kerosene, with the necessary pumps and meters, and an inexpensive warehouse large enough to store at least one carload of lubricating oils, greases and other related supplies. The approximate cost of the bulk station will be \$3,000.

GENERAL PROBLEMS OF COOPERATIVE OIL ASSOCIATIONS

In connection with this report, it is essential to point out some of the unfavorable conditions which may appear during the initial stages of organization and development of cooperative oil purchasing enterprises, and some of the dangers which lie in the path of such associations during later periods. A few principles of successful operation may be also profitably suggested.

Newly organized cooperative associations are sometimes met with a flood of anti-cooperative propaganda from competitors and their sympathizers. In addition, they may be confronted by local price cutting and other handicaps. In this connection, the older and better established associations have found it desirable to enter new territory as quietly as possible and to establish operating units only at points where local sentiment is favorable to the cooperative method of purchasing, and where competitive resistance appears to be small. Similar cautious procedure should be followed in later expansion of the enterprise.

Before establishing an operating unit in any community, there should be indications that farmers are interested in and will support the enterprise, and that their combined supply requirements will be large enough to enable the association to operate efficiently. The interests of farmers in such enterprises may be partially measured by their willingness to purchase capital stock in the organization. It is highly desirable that each community furnish sufficient capital, by purchasing common and preferred stock, to finance the cost of facilities and equipment for the local distributing unit, and also furnish a share of the cost of facilities for the regional purchasing organization. In addition, enough working capital to purchase a minimum stock of supplies at each of the local units should be provided.

Borrowed money should be used as sparingly as possible, since this method of financing places a direct obligation on an association. Borrowings are usually secured by a mortgage on part or all of the property and, in practically all cases, carry prior rights

to the assets of an association in the event of dissolution.

Interest on borrowed money is a direct and continuous operating expense. If this item becomes unduly large, it may cause the failure of the enterprise and the consequent loss or partial loss of capital invested by the membership.

A good and safe method of financing for cooperatives to follow is that of securing at the outset sufficient capital through the sale of capital stock (preferably common stock which, as a rule, carries no fixed dividend rate) to cover the cost of facilities and provide a minimum stock of supplies. Extra capital, such as that required during peak business periods, should be secured through loans. This method of financing tends to place an association in a position which commands the consideration of banks and government-sponsored credit agencies, as well as the respect of competitors. Besides, it gives an organization a standing of stability and responsibility in the local community.

An over-supply of operating capital may lead to unnecessary expenditures and careless purchasing. Large purchases on a declining market may place an association in a difficult position when it attempts to escape loss on such transactions. As a rule, it is better to purchase in regular quantities and rely on reasonable and competitive operating margins for earnings than to purchase in too large quantities and assume the risk of loss resulting from price declines.

It is hardly necessary to point out and emphasize the danger of extending credit. Uncollectable accounts have caused the failure of many organizations.

Most cooperative purchasing associations find it to their advantage to sell supplies at local competitive prices. This policy is especially desirable for newly organized associations. Price cutting leads to price wars or other conditions which are injurious not only to commercial distributors, but to cooperatives as well. In the event of the existence of a price war, it may be good policy to follow local prices until they reach a point where the cooperative is no longer able to make savings for its members. At this point, the cooperative may find it advisable to lose business temporarily, if necessary, until prices increase or operating margins permit profitable operation. Otherwise the operating capital of the association may be dissipated through unprofitable operations. This policy puts the burden of price wars on competitors and brings about a more healthy competitive situation.

The expenses of a cooperative organization, especially a newly organized one, should be kept to a minimum in order that reasonable savings may be made for the members. The success of any associ-

ation depends to a large extent upon its volume of business which, in turn, depends upon its efficiency in operation. By harnessing too much expense upon an organization, the chances of efficiency in operation and increase in volume of business are reduced.

It is generally desirable to retain in the business a certain share of the earnings of an association in order that additional capital may be created for operating purposes. This policy is followed by many large and successful organizations.

In conclusion, it should be remembered that an association will not succeed simply because it is a cooperative. Sound business principles must be followed.

APPENDIX I

SAMPLE ARTICLES OF INCORPORATION AND BY-LAWS
OF
SOUTH PLAINS COOPERATIVE FUEL ASSOCIATION

ARTICLES OF INCORPORATION

SOUTH PLAINS COOPERATIVE FUEL ASSOCIATION

We, the undersigned, do hereby associate ourselves together for the purpose of forming a cooperative association under the Cooperative Association Laws of the State of Texas and for that purpose state the following:

ARTICLE I

The name of this association shall be South Plains Cooperative Fuel Association.

ARTICLE II

The purposes of this association and the enterprise, business, and pursuit in which it proposes to engage are:

(1) To promote and provide a medium for unity of effort by agricultural producers in buying and distributing gasoline, kerosene, lubricating oil, tractor and truck and automobile accessories, coal and other fuels and their by-products, and other commodities or supplies; to serve as an agency through which economies in agricultural production may be made through collective buying and handling of commodities and supplies used in connection with the production and marketing of farm products; and to encourage and develop cooperative activities.

(2) To engage in any activity in connection with the buying, storing, handling, manufacturing, selling, and distributing of gasoline, kerosene, lubricating oil, accessories, coal and other fuels and their by-products; and to buy, sell, and otherwise handle any other commodities or supplies that may be bought, sold, or handled to the advantage of the association or its members.

(3) To act in its own name as principal, or as agent, in the buying, selling, manufacturing or otherwise handling of gasoline, kerosene, lubricating oil, tractor and truck and automobile accessories, coal and other fuels and their by-products, and other commodities; to enter into contracts with its members; to contract with other individuals or cooperative or non-cooperative agencies for performing any of the activities herein authorized or incidental thereto; and to establish and maintain joint agencies or representatives in connection with other associations or corporations, join such associations, or otherwise cooperate with associations and corporations in carrying out the purposes of this organization.

(4) To borrow or lend money, either as principal or agent, giving or taking such evidence of indebtedness and security as may be necessary or desirable, especially for the purpose of purchasing facilities, financing operations, or for other association purposes.

(5) To buy, acquire, hold, own, lease, sell and otherwise dispose of and exercise all privileges of ownership over such real or personal property of any character, either within or without the State as may be deemed necessary or desirable for the conduct of its business, or incidental thereto.

(6) To guarantee, endorse, purchase, or otherwise acquire, hold, sell, assign, transfer, mortgage, pledge, or otherwise dispose of shares of stock, bonds, or other evidences of indebtedness created by any corporation or association engaged in any related activity or in the handling or purchasing of any of the supplies handled by the association, and while the holder of such securities to exercise all the rights and privileges of ownership, including the right to vote thereon.

(7) To issue stock, bonds, deeds of trust, debentures, notes or other obligations and evidences of indebtedness, and to secure the same by pledge, mortgage, trust deed, or otherwise, on the whole or any part of the property of the association, real or personal, or to issue such obligations without security.

(8) To purchase, hold, and reissue the shares of its capital stock, as provided by law and the by-laws of the Association.

(9) To do each and every thing necessary, suitable, or proper for the accomplishment of any of the purposes or the attainment of any one or more of the objects herein enumerated, or conducive or expedient for the interest or benefit of the association and to contract accordingly, and in addition exercise all other rights, powers, and privileges granted by the laws of Texas or not in conflict therewith.

ARTICLE III

The principal office of this Association shall be at the city of Lubbock, in the County of Lubbock, State of Texas.

ARTICLE IV

This Association shall have succession for a period of fifty years.

ARTICLE V

The capital stock of this association shall be One Hundred Fifty Thousand Dollars (\$150,000.00), divided into fifteen thousand (15,000) shares, and the par value of each share shall be Ten Dollars (\$10.00). Of the fifteen thousand shares authorized, seven thousand five hundred (7,500) shares shall be common stock and seven thousand five hundred (7,500) shares shall be preferred stock.

ARTICLE VI

The conditions under which the stock of this association may be issued, held, and transferred shall be as follows:

(1) Common stock shall be sold to and shall be held only by agricultural producers, including persons, firms, or corporations, in the territory served by the association or designated by the board of directors, or the landlords or lessors of land upon which farm products are produced and in connection with which the commodities handled by the association are used, and who receive as rent part of the crop raised on the leased premises, provided that such producers agree to comply with the association's by-laws, rules and regulations, and provided they are approved as members by the board of directors. Dividends may be paid on common stock but shall not exceed 8 per cent per annum. Each member shall, however, be entitled to one vote, regardless of the number of shares of stock held by him.

(2) Preferred stock may be sold to and held by anyone, subject to conditions herein specified. Holders of preferred stock shall be entitled to receive cumulative dividends at the rate of ___ per cent per annum, and no more, as and when declared by the board of directors before any dividends shall be paid upon the common stock. Such preferred stock shall not be entitled to vote under any circumstances or to participate in any action of any nature taken by the association, but in the event of liquidation, dissolution or winding-up of the association, whether voluntary or involuntary, the holders of the preferred stock shall be entitled to be paid the par value of such preferred stock, together with the amount of any unpaid dividends accumulated thereon before any amount is paid to the holders of common stock.

(3) The association shall have the right to redeem the outstanding preferred stock in whole or in part at any time upon the payment of the par value thereof and the amount of accumulated dividends unpaid thereon to the date of redemption. If less than all of the outstanding shares of preferred stock are to be redeemed, the shares to be redeemed shall be selected in such manner as the board of directors shall determine. When redeemed or acquired by the association, a like amount of common stock may be issued in lieu thereof to agricultural producers qualified to own common stock.

(4) No stock shall be issued or delivered by the association to any subscriber or applicant until the full price therefor has been paid.

(5) Transfers of stock shall be made on the books of the association on order of the owner, or by attorney properly authorized, but as to common stock the right of transfer shall be limited to agricultural producers whose membership in the association has been approved by the board of directors. Transfers shall be made on the books of the association by the secretary only upon surrender of stock certificates for cancellation properly endorsed. Transfer books may be closed ten days prior to dividend dates or the annual meeting.

(6) Certificates of stock shall be signed by the president or vice-president and by the treasurer, assistant treasurer, secretary or assistant secretary. If a certificate of stock is lost or destroyed, another may be issued in its stead upon proof of such loss or destruction and upon the giving of a bond of indemnity, not exceeding in amount double the value of the stock.

(7) Each certificate of stock shall have printed thereon a clear and concise statement of all restrictions and limitations upon ownership, voting power, transfer, dividends, or other conditions affecting the rights and privileges of the holder thereof.

(8) Whenever any holder of common stock desires to sell said stock, it shall first be offered to the association. In the event, however, that said stock is not purchased by the association, or by a producer designated by the board of directors, within 60 days after the receipt of a written notice to the association offering such stock for sale, then the holder may sell the stock to any producer that has been approved as a member by the board of directors. Any attempt to transfer such common stock or certificate of common stock except as described herein shall vest no title in the purchaser or receiver and no rights of the original holder to participate in the affairs or savings of the association.

(9) The treasury stock of the association shall consist of stock that may be purchased or otherwise acquired by the association and it shall be held subject to action of the board of directors. Such stock shall not share in dividends but it may be resold or cancelled at the discretion of the board of directors, subject to the laws of Texas.

ARTICLE VII

(1) The articles of incorporation may be altered or amended at any regular meeting or at any special meeting called for that purpose;

provided, however, that any amendment shall first have been approved by two-thirds of the directors and then adopted by a vote representing a majority of all the members of the association. Provided, further, that written notice of the proposed amendment shall have been mailed to each member at least ten days prior to the date of the meeting at which such amendment is adopted.

(2) Amendments may be proposed by a majority vote of the members at any regular or special meeting.

ARTICLE VIII

This association is formed to function on a cooperative basis for the benefit of its members. Reasonable reserves, as determined by the board of directors and as limited by the by-laws, may be set aside from year to year. After setting aside such reserves, and after the payment of dividends as hereinbefore provided, the balance of the savings of the association shall be distributed on a patronage basis.

IN WITNESS WHEREOF, we have hereunto fixed our signatures in triplicate this _____ day of _____, 193__.

STATE OF TEXAS)
COUNTY OF) SS.

THIS CERTIFIES, that on this _____ day of _____, A. D. 193__, before me, the undersigned, a _____ in and for said county and state, personally appeared _____

known to me to be the identical persons named in and who executed the foregoing Articles of Incorporation and acknowledged to me that they executed the same freely and voluntarily for the uses and purposes therein mentioned.

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal, the day and year last above written.

(SEAL)

BY-LAWS
OF
SOUTH PLAINS COOPERATIVE FUEL ASSOCIATION

- - - - -

ARTICLE I - NAME

Section 1. This association, incorporated under the Cooperative Association Laws of the State of Texas, shall be known as the South Plains Cooperative Fuel Association. Its principal office shall be located in the City of Lubbock, County of Lubbock, State of Texas.

ARTICLE II - OBJECTS AND PURPOSES

Section 1. The objects and purposes of this Association are to buy, sell, manufacture, distribute, or otherwise handle gasoline, kerosene, lubricating oil, tractor and truck and automobile accessories, coal and other fuels and their by-products, and other commodities or farm supplies, on a cooperative basis; and to carry on these or other activities as set forth in detail in the Articles of Incorporation.

ARTICLE III - MEMBERS

Section 1. Any producer of agricultural products, including persons, firms, or corporations, who is a user of the commodities handled by the Association, in connection with his agricultural and marketing activities, and who is located in the territory or area served by the Association or designated by the board of directors; or the landlord or lessor of land upon which farm products are produced and in connection with which the commodities handled by the Association are used, and who receives as rent part of the crop raised on the leased premises; who buys common stock in the Association; who agrees to comply with the by-laws, rules and regulations of the Association; and who has the approval of the board of directors; may become a member of this Association.

Section 2. Each member or applicant for membership shall subscribe for or hold at least one share of common stock, but no member shall own or hold more than one-twentieth of the total number of shares of common stock authorized. There shall be no limitation on the number of shares of preferred stock that may be subscribed for or held.

Section 3. At any time that the board of directors determines that a member has ceased to be eligible as such, it may terminate such membership and may purchase the common stock of the said member.

The Association, as determined by the board of directors, shall have the option of purchasing said common stock for cash within sixty days; or paying one-half cash and the balance in a promissory note bearing interest at ___ per cent, and maturing one year from the date thereof; or of exchanging for said common stock in whole or in part an equal amount in value of preferred stock of the Association; the price at which said common stock is purchased under such option to be the fair market value thereof as conclusively determined by the board of directors.

Section 4. Any member may voluntarily withdraw from the Association in any year after a period of one year from the time membership is acquired, by giving written notice to the Association 60 days in advance of the date withdrawal is to become effective, and by offering his common stock for sale to the Association on the terms of payment specified in Section 3 of this Article.

Section 5. The violation of the by-laws or rules of the Association or of any contract or obligation entered into by the Association with a member, or consistent failure or refusal to patronize the Association, shall constitute a sufficient cause for the expulsion of such member from the Association by the board of directors, and said board may expel such member at any time, provided that an opportunity is given the member to answer any charges before a meeting of the membership and provided that the common stock held by such member is purchased, or an offer made to purchase, in accordance with Section 3 of this Article.

Section 6. Each member of the Association shall be entitled to one vote regardless of the amount of common stock held by him. No member shall be allowed a vote so long as any past-due debts or obligations owing by him to the Association remain unpaid. Voting by proxy shall not be permitted.

ARTICLE IV - FISCAL YEAR

Section 1. The fiscal year of the Association shall begin on the first day of January and end on the last day of the following December.

ARTICLE V - MEETING OF MEMBERS

Section 1. The annual meeting of the members shall be held at Lubbock, Texas, the second Monday in February of each year, or if that be a legal holiday, it shall be held on the next business day thereafter.

Section 2. Special meetings of the members may be called at any time by the president or by order of the board of directors. Such

meetings shall be called, also, whenever ten per cent of the members shall se request in writing, said request stating the purpose of the meeting.

Section 3. Notice of the annual meeting, together with a statement of the purpose thereof, shall be mailed by the secretary to each member at least ten days previous to the date of the meeting. At least ten days before the date of any special meeting, the secretary shall mail notice of such meeting to each member which shall state the nature of the business to be transacted at such meeting. If all members shall waive notice of a meeting, no notice of such meeting shall be required.

Section 4. The members in good standing, present in person, shall constitute a quorum for the transaction of business at any regularly called meeting of the membership.

ARTICLE VI - DIRECTORS AND OFFICERS

Section 1. The board of directors of this Association shall consist of seven members, chosen by the membership from their own number. At the first election, except as otherwise provided for in forming the organization, the members shall elect from among themselves four directors for a term of one year, and three directors for a term of two years. At the expiration of the terms of the directors so elected, their successors shall be elected in like manner, for terms of two years. Directors shall hold office until their successors have been elected and qualified and have entered upon the discharge of their duties.

Section 2. Any vacancy in the board of directors, not caused by expiration of term, shall be filled for the unexpired term by a majority vote of the remaining members of the board of directors, and the new director so chosen shall hold office for the unexpired portion of the term of the director whose place he was elected to fill.

Section 3. The board of directors shall meet within ten days after the first election, and after each annual election, and shall elect by ballot a president and a vice-president from their number, and a secretary-treasurer, or a secretary and a treasurer, who may or may not be directors or members of the Association. All officers shall hold office for one year or until their successors are elected and qualified.

Section 4. A majority of the members of the board of directors shall constitute a quorum at any meeting of the board of directors.

Section 5. Any director or officer of the Association may, for cause, at any regular or special meeting be removed from office by a

vote of the majority of the total membership present at any such meeting.

Section 6. The Association may provide, at a regular or called meeting of the members, a fair remuneration for the time actually spent by its officers and directors in its service, except that no director, during his term of office, shall occupy any position in the Association on regular salary, or be a party to a contract for profit with the Association differing in any way from the business relations accorded other members, or to any other kind of contract different from terms generally current in that district.

Section 7. The incorporators of this Association, or a committee named for the purpose, shall serve as an organizing board of directors until a board of directors can be elected as provided in these by-laws, either at the first annual meeting or at a special meeting of members called to elect directors to serve until the annual meeting. Directors and officers elected prior to the first annual meeting shall be elected only to serve until such annual meeting.

ARTICLE VII - EXECUTIVE AND OTHER COMMITTEES

Section 1. The board of directors may elect from among their number an Executive Committee of three, of which the president shall be one and also chairman of the committee, to conduct the business and affairs of the Association during the interim between Board meetings but subject to the general control of the Board.

Section 2. The board of directors may elect, or the president may appoint with its consent, any other temporary or standing committees that may seem for the best interest of the Association. There may be appointed also, at the discretion of the Board, an advisory committee of business men or technical experts to attend board meetings in an advisory capacity but without voting power.

ARTICLE VIII - DUTIES OF THE DIRECTORS

Section 1. The board of directors shall manage the business and conduct the affairs of the Association and shall make the necessary rules and regulations, not inconsistent with law or with these by-laws, for the management of the business and the guidance of the officers, employees, and agents of the Association.

Section 2. The board of directors may employ a general manager, fix his compensation and dismiss him for cause. He shall have charge of the business of the Association under the direction of the board of directors.

Section 3. The board of directors may employ legal counsel, fix his compensation, and dismiss him for cause.

Section 4. In no event, however, shall any immediate relative of any director be employed by or for the Association.

Section 5. The board of directors shall require the treasurer and all other officers, agents, and employees charged by the Association with responsibility for the custody of any of its funds or property to give bond with sufficient surety for the faithful performance of their official duties; the premium on such bond shall be paid by the Association.

Section 6. The board of directors shall meet on the first Tuesday of each month at the office of the Association in the City of Lubbock, Texas, or at such other times and places as it may determine. Special meetings of the Board shall be held upon call of the president or upon written request of four members of the Board.

Section 7. The board of directors shall adopt a corporate seal, which shall be circular in form and have inscribed thereon the name of the Association and the year of its incorporation.

ARTICLE IX - DUTIES OF OFFICERS

Section 1. The president shall preside over all meetings of the Association and of the board of directors; sign as president on behalf of the Association all papers which he is authorized to sign by the board of directors; and call special meetings of the Association and of the board of directors and perform all acts and duties usually required of an executive and presiding officer.

Section 2. In the absence or disability of the president, the vice-president elected from the directors shall preside and perform the duties of the president.

Section 3. The secretary-treasurer shall keep a complete record of all meetings of the Association and of the board of directors; keep a membership roll; keep the stock book; sign on behalf of the Association all papers which he is authorized to sign by the board of directors; serve all notices required by law and by those by-laws; receive and disburse all funds and be the custodian of all the property of this Association; keep a complete record of all business of the Association and make a full report of all matters and business pertaining to his office to the members at their annual meeting and make all reports required by law; and perform such other duties as may be required of him by the Association or the board of directors.

Section 4. If the offices of the secretary and treasurer are held by different persons, the board of directors shall by resolution inscribed in the minute book prescribe the duties and responsibilities of each.

Section 5. In case of the absence or disability of any officer of the Association or for any other reason deemed sufficient by a majority of the board of directors, the Board may delegate the powers or duties of such officer to any other officer or to any director for the time being.

ARTICLE X - DUTIES OF MANAGER

Section 1. Under the direction of the board of directors, the manager or acting manager shall employ and discharge all employees, agents, and laborers. Subject to the order of the board of directors, and by-laws and rules of the Association, the manager shall have entire charge of the business operations of the Association.

ARTICLE XI - CAPITAL STOCK

Section 1. The capital stock of this Association shall be One Hundred Fifty Thousand Dollars (\$150,000.00), divided into fifteen thousand (15,000) shares, and the par value of each share shall be Ten Dollars (\$10.00). Of the fifteen thousand shares authorized, seven thousand five hundred (7,500) shares shall be common stock and seven thousand five hundred (7,500) shares shall be preferred stock.

Section 2. Common stock shall be sold to and shall be held only by agricultural producers, including persons, firms, or corporations, in the territory served by the Association or designated by the board of directors, or the landlord or lessor of land upon which farm products are produced and who receives as rent part of the crop raised on the leased premises, provided that such producers agree to comply with the Association's by-laws, rules and regulations, and provided that they are approved as members by the board of directors. Dividends may be paid on common stock, but shall not exceed 8 per cent per annum. Each member shall be entitled to one vote, regardless of the number of shares of stock held by him.

Section 3. Preferred stock may be sold to and held by anyone, subject to conditions herein specified. Holders of preferred stock shall be entitled to receive cumulative dividends at the rate of per cent per annum, and no more, as and when declared by the board of directors before any dividends shall be paid upon the common stock. Such preferred stock shall not be entitled to vote under any circumstances or to participate in any action of any nature taken by the Association, but in the event of liquidation, dissolution, or winding-up of the Association, whether voluntary or involuntary, the holders of the preferred stock shall be entitled to be paid the par value of such preferred stock, together with the amount of any unpaid dividends accumulated thereon before any amount is paid to the holders of common stock.

Section 4. The Association shall have the right to redeem the outstanding preferred stock in whole or in part at any time upon the payment of the par value thereof and the amount of accumulated dividends unpaid thereon to the date of redemption. If less than all of the outstanding shares of preferred stock are to be redeemed, the shares to be redeemed shall be selected in such manner as the board of directors shall determine. When redeemed or acquired by the Association, a like amount of common stock may be issued in lieu thereof to agricultural producers qualified to own common stock.

Section 5. No stock shall be issued or delivered by the Association to any subscriber or applicant until the full price therefor has been paid.

Section 6. Transfers of stock shall be made on the books of the Association on order of the owner, or by attorney properly authorized, but as to common stock the right of transfer shall be limited to producers whose membership in the Association has been approved by the board of directors. Transfers shall be made on the books of the Association by the secretary only upon surrender of stock certificates for cancellation, properly endorsed. Transfer books may be closed ten days prior to dividend dates or the annual meeting.

Section 7. Certificates of stock shall be signed by the president or vice-president and by the treasurer, assistant treasurer, secretary or assistant secretary. If a certificate of stock is lost or destroyed, another may be issued in its stead upon proof of such loss or destruction and upon the giving of a bond of indemnity, not exceeding in amount double the value of the stock.

Section 8. Each certificate of stock shall have printed thereon a clear and concise statement of all restrictions and limitations upon ownership, voting power, transfer, dividends, or other conditions affecting the rights and privileges of the holder thereof.

Section 9. Whenever any holder of common stock desires to sell said stock, it shall first be offered to the Association. In the event, however, that said stock is not purchased by the Association, or by a producer designated by the board of directors, within 60 days after the receipt of a written notice to the Association offering such stock for sale, then the holder may sell the stock to any producer that has been approved as a member by the board of directors. Any attempt to transfer such common stock or certificate of common stock except as described herein shall vest no title in the purchaser or receiver and no rights of the original holder to participate in the affairs or savings of the Association.

Section 10. The treasury stock of the Association shall consist of stock that may be purchased or otherwise acquired by the

Association in accordance with the laws of Texas, and it shall be held subject to action of the board of directors. Such stock shall not share in dividends but it may be resold or cancelled at the discretion of the board of directors, subject to the laws of Texas.

ARTICLE XII - OPERATING METHODS

Section 1. All commodities and supplies purchased by the Association shall be bought in the open market or otherwise, as the board of directors may authorize, through such sources or trade channels and upon such terms as are customary or desirable in conducting such merchandizing business as the Association engages in.

Section 2. The Association may establish warehouses, manufacturing plants, or may provide any or all facilities or services for directly or indirectly handling and distributing supplies and commodities; may sell at wholesale or retail; and shall fix all terms and conditions of sale; all as determined by the board of directors.

Section 3. The Association shall be operated for the mutual benefit of its members. After the payment of all operating expenses, including deductions for reserves, the Association may pay dividends on its stock but not to exceed 8 per cent per annum. Such sums as may remain for distribution to the members, shall be apportioned as patronage dividends in accordance with the amounts of the purchase of each member from the Association.

Section 4. The amount of deductions or retains in any year for reserves for operating capital, contingencies, capital investments, retirement of indebtedness, or any other proper Association purpose shall be determined by the board of directors.

Section 5. The amount retained for the purpose of creating and maintaining reserves shall be shown on the books or records of the Association in such manner that in the event of distribution, or of dissolution of the Association, payment shall be made to each member in proportion to the amount of business (purchases) which each has contributed, provided, however, that no member withdrawing from the Association or otherwise ceasing to be a member shall be entitled to receive a refund from such reserve accounts.

Section 6. If a member has not paid in full for the capital stock for which he has subscribed, or if he is otherwise indebted to the Association, the board of directors shall order his account credited with any dividends or refunds until such indebtedness is fully paid.

ARTICLE XIII - AFFILIATIONS

Section 1. The board of directors shall have the power to join with other generally similar organizations in maintaining purchasing or selling agencies, or in otherwise providing or conducting activities in conjunction with such other organizations when in their opinion it is desirable so to do.

ARTICLE XIV - NOTICES

Section 1. Notices required to be given under the provisions of these by-laws may be given by letter by depositing the same in a post office or mail box or by telegram addressed to such address as appears on the books of the Association, and such notice shall be deemed to have been given at the time when the same shall be thus mailed or filed.

Section 2. Any member, officer, or director may waive in writing or by telegram any notice required to be given. Any member present, or any officer or director present at any meeting, shall be conclusively deemed to have had due notice thereof.

ARTICLE XV - ACCOUNTS AND AUDITING

Section 1. This Association shall install a system of accounts and provide other accounting appurtenances that may be necessary to conduct the business in a safe and orderly manner.

Section 2. An annual audit shall be made by a certified public accountant previous to the date of each annual meeting, at which meeting his report shall be presented. Special audits shall be made at any time upon order of the board of directors or upon a majority vote of the members at any regular or called meeting.

ARTICLE XVI - AMENDMENTS

Section 1. These by-laws may be amended at any meeting of the members by a two-thirds vote in the affirmative of those present, provided that notice of the proposed amendment is included in the call for said meeting.

APPENDIX II
SAMPLE COPIES
OF
COMMON AND PREFERRED STOCK CERTIFICATES

NO. _____

INCORPORATED UNDER THE LAWS OF
THE STATE OF TEXAS

SHARES

SOUTH PLAINS COOPERATIVE FUEL ASSOCIATION

CAPITAL STOCK \$150,000, DIVIDED INTO 7,500
SHARES OF PREFERRED, \$10.00 EACH, AND 7,500
SHARES OF COMMON, \$10.00 EACH.

THIS CERTIFIES THAT _____

is the owner of _____ Shares of Common Stock of the South Plains Cooperative Fuel Association, a corporation, of the par value of TEN DOLLARS per Share.

The common stock of the South Plains Cooperative Fuel Association shall be sold to and held only by agricultural producers, including persons, firms, or corporations, in the territory served by the Association or designated by the board of directors, or the landlords or lessors of land upon which farm products are produced and in connection with which the commodities handled by the Association are used, and who receive as rent part of the crop raised on the leased premises, provided that such producers agree to comply with the Association's by-laws, rules and regulations, and provided they are approved as members by the board of directors. Dividends may be paid on common stock but shall not exceed 8 per cent per annum. Each member shall, however, be entitled to only one vote, regardless of the number of shares of stock held by him.

Transfers of stock shall be made on the books of the Association on order of the owner, or by attorney properly authorized, but the right of transfer shall be limited to agricultural producers whose membership in the Association has been approved by the board of directors. Transfers shall be made on the books of the Association by the secretary only upon surrender of stock certificates for cancellation properly endorsed. Transfer books may be closed ten days prior to dividend dates or the annual meeting.

Whenever any holder of common stock desires to sell said stock, it shall first be offered to the Association. In the event, however, that said stock is not purchased by the Association, or by a producer designated by the board of directors, within 60 days after the receipt of a written notice to the Association offering such stock for sale, then the holder may sell the stock to any producer that has been approved as a member by the board of directors. Any attempt to transfer such common stock or certificate of common stock except as described herein shall vest no title in the purchaser or receiver and no rights of the original holder to participate in the affairs or savings of the Association.

IN WITNESS WHEREOF, the said corporation has caused to be signed by its duly authorized officers and to be sealed with the Seal of the corporation at Lubbock, Texas, this _____ day of _____.

(SEAL)

President

CERTIFICATE

FOR

SHARES
OF THE
COMMON
STOCK
OF
SOUTH PLAINS
COOPERATIVE
FUEL
ASSOCIATION
ISSUED TO

DATE

, 19__

FOR VALUE RECEIVED, _____ hereby sell, assign and transfer
unto _____ Shares of the Common Stock re-
presented by the within certificate, and do hereby irrevocably con-
stitute and appoint _____ Attorney to transfer the said
stock on the books of the within named corporation with full power of
substitution in the premises.

Dated _____ 19__

In the presence of _____

(Holder-transferrer)

NOTICE: THE SIGNATURE OF THIS ASSIGNMENT MUST
CORRESPOND WITH THE NAME AS WRITTEN UPON THE
FACE OF THE CERTIFICATE, IN EVERY PARTICULAR.
WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE
WHATSOEVER.

NO. _____

INCORPORATED UNDER THE LAWS OF
THE STATE OF TEXAS

_____ SHARES

SOUTH PLAINS COOPERATIVE FUEL ASSOCIATION

CAPITAL STOCK \$150,000. DIVIDED INTO 7,500
SHARES OF PREFERRED, \$10.00 EACH, AND 7,500
SHARES OF COMMON, \$10.00 EACH.

THIS CERTIFIES that _____ is the owner of _____ fully paid-up and non-
assessable shares of the par value of TEN DOLLARS each, of the Cumulative, _____ per cent, Preferred
Stock of the South Plains Cooperative Fuel Association.

Preferred Stock may be sold to and held by anyone, subject to conditions herein specified.
Holders of Preferred Stock shall be entitled to receive cumulative dividends at the rate of _____
per cent per annum, and no more, as and when declared by the board of directors before any dividends
shall be paid upon the common stock. Such preferred stock shall not be entitled to vote under any
circumstances or to participate in any action of any nature taken by the Association, but in the
event of liquidation, dissolution, or winding-up of the Association, whether voluntary or involuntary,
the holders of the Preferred Stock shall be entitled to be paid the par value of such Preferred Stock,
together with the amount of any unpaid dividends accumulated thereon before any amount is paid to the
holders of common stock.

The Association shall have the right to redeem the outstanding Preferred Stock in whole or in
part at any time upon the payment of the par value thereof and the amount of accumulated dividends
unpaid thereon to the date of redemption. If less than all of the outstanding shares of Preferred
Stock are to be redeemed, the shares to be redeemed shall be selected in such manner as the board of
directors shall determine. When redeemed or acquired by the Association, a like amount of common
stock may be issued in lieu thereof to agricultural producers qualified to own common stock.

Transfers of Preferred Stock shall be made on the books of the Association on order of the
owner, or by attorney properly authorized, by the secretary only upon surrender of this certificate
for cancellation, properly endorsed. Transfer books may be closed ten days prior to dividend dates
or the annual meeting.

IN WITNESS WHEREOF, the said Association has caused to be signed by its duly authorized officers
and to be sealed with the Seal of the Association at Lubbock, Texas, this _____ day of _____, 19____.

(SEAL)

President

CERTIFICATE

FOR

SHARES
OF THE
PREFERRED
STOCK

OF
SOUTH PLAINS
COOPERATIVE
FUEL
ASSOCIATION

ISSUED TO

DATE

, 19__

FOR VALUE RECEIVED, _____ hereby sell, assign and trans-
fer unto _____ shares of the Pre-
ferred Stock represented by the within certificate, and do hereby
irrevocably constitute and appoint _____ Attorney to
transfer the said stock on the books of the within named corpor-
ation with full power of substitution in the premises.

Dated _____, 19__

(Holder-transferor)

NOTICE: THE SIGNATURE OF THIS ASSIGNMENT MUST
CORRESPOND WITH THE NAME AS WRITTEN UPON THE
FACE OF THE CERTIFICATE, IN EVERY PARTICULAR,
WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE
WHATSOEVER.

In the presence of _____



